

Message Text

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14

ACTION AGR-20

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1706

INFO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY WELLINGTON

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PASS AGRICULTURE FOR HARTMAN

EO 11652: N/A

TAGS: EAGR, ETRD, EGEN, AS

SUBJ: MEAT EXPORT TAX RECOMMENDED

1. JOINT PARLIAMENTARY COMMITTEE ON PRICES TABLED REPORT ON STABILIZATION OF DOMESTIC MEAT PRICES IN PARLIAMENT YESTERDAY AFTER-NOON. MAJOR RECOMMENDATION WAS THAT SPECIAL FLEXIBLE TAX BE INTRODUCED ON BEEF EXPORTS, WITH PROCEEDS TO BE RETURNED TO LIVESTOCK PRODUCERS. REASON FOR RECOMMENDATION BASED ON INCREASE IN AVERAGE RETAIL PRICE OF MEAT BY 25 PERCENT DURING FIRST SEVEN MONTHS OF 1973, AND AVAILABLE EVIDENCE SUGGESTED IN ABSENCE OF INTERVENTION UPWARD PRESSURE ON PRICES UNLIKELY TO BE REDUCED BEFORE SOUTHERN HEMISPHERE FALL 1974 (APRIL/MAY). COMMITTEE CONCLUDED IN MAJORITY REPORT ONLY WAY TO REDUCE MEAT PRICES WAS BY INCREASING SUPPLY ON DOMESTIC MARKET THROUGH DIVERSION FROM LIMITED OFFICIAL USE

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EXPORT, AND THAT AMOUNT DIVERTED NEED NOT BE GREAT. ONLY BEEF

WOULD BE AFFECTED, AS MUTTON AND LAMB SUPPLIES ARE ALREADY SHORT AND LITTLE OFFERED FOR EXPORT.

2. COMMITTEE CONSCIOUS OF NEED FOR PROPOSAL THAT WOULD NOT BE COUNTERPRODUCTIVE IN LONG TERM BY DISCOURAGING PRODUCTION, AND BELIEVES THIS MAY BE AVOIDED BY RETURNING PROCEEDS OF TAX TO PRODUCERS. DISSENTING REPORT BY OPPOSITION MEMBERS STRESSED BEEF AND LAMB PRICES HAVE NOT RISEN AT FASTER RATE THAN AVERAGE WEEKLY EARNINGS, AND IF PRICES WERE EXCESSIVE CONSUMERS WOULD HAVE REACTED BY REDUCING CONSUMPTION HEAVILY, WHICH IS NOT THE CASE. DISSENTING MEMBERS INDICATED PROBLEM OF LOW INCOME EARNERS CONFRONTED WITH RISKY MEAT PRICES A WELFARE MATTER AND NOT TO BE REGARDED AS AGRICULTURAL PRICE POLICY PROBLEM

3. SECOND MAJOR RECOMMENDATION BY COMMITTEE, WHICH PROBABLY KEY TO SUBSEQUENT DEVELOPMENT, WAS THAT MEAT INDUSTRY ITSELF SHOULD DO SOMETHING TO STABILIZE DOMESTIC MEAT PRICES PENDING INTRODUCTION OF EXPORT TAX. COMMITTEE STRESSED IF SUCCESSFUL GOA MIGHT CONSIDER NOT INTRODUCING EXPORT TAX PROPOSAL. AGATTACHE OFFICE UNDERSTANDS GOA CONSCIOUS OF ADVERSE REACTION INTERNATIONALLY IN PERIOD OF PROTEIN SHORTAGE, AND DOMESTICALLY IN RURAL ELECTORATE HELD BY LABOR (AT LEAST FOUR SEATS INVOLVED). CONSEQUENTLY WISHES TO AVOID INTRODUCTION OF TAX IF POSSIBLE DESPITE STRONG PRESSURE FROM GROUPS WITHIN LABOR PARTY. DPI MINISTER WRIEDT STILL STRONGLY OPPOSED TO PROPOSAL, AND IT APPEARS COMMITTEE RECOMMENDATION LARGELY AIMED AT SILENCING UNIONS. WATERSIDE WORKERS FEDERATION WAS CONTEMPLATING BAN ON MEAT SHIPMENTS IF GOA DID NOT TAKE ACTION. GOA HOPES THAT RESTRAINT BY EXPORTERS OVER NEXT FEW WEEKS AND LIFTING OF BEEF PRICE CEILING IN US WILL BRING DOMESTIC MARKET PRICES DOWN SUFFICIENTLY TO BE ABLE TO SAY GROUNDS FOR EXPORT TAX NO LONGER PREVAIL.

4. IT IS ASSUMED THAT DEBATE OF REPORT WILL TAKE SOME TIME, WHILE NEED TO PREPARE POSSIBLE LEGISLATION AND ITS PASSAGE THROUGH BOTH HOUSES WOULD GIVE GOA FURTHER BREATHING SPACE. DPI OFFICIALS ALSO ENCOURAGED BY PRESENT FALL IN HIGH BEEF PRICES IN US MARKET, AND CURRENT PRICE TREND UNCERTAINTY CAUSES MANY EXPORTERS TO STAY OUT OF MARKET. LIFTING OF BEEF PRICE CONTROLS IN US HAS NEGATED OTHER RECOMMENDATION BY COMMITTEE THAT EXPORT QUOTAS BE LIMITED OFFICIAL USE

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IMPOSED ON SHIPMENTS TO US IF US PRODUCERS CONTINUED TO WITHHOLD STOCK FROM DOMESTIC US MARKET. ALTHOUGH FINAL OUTCOME STILL UNCERTAIN AT THIS STAGE, IMPOSITION OF EXPORT TAX NOW DOUBTFUL PROVIDED DOWNWARD TREND IN LIVESTOCK PRICES PAST WEEK CONTINUES. GREEN

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Disposition Authority: smithrj
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